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BEFORE THE ARIZONA CORPORATION COMMISSION
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2008 OCT -9 A 11: 06

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT -9 2008



IN THE MATTER OF THE COMMISSION'S
GATHERING INFORMATION ON
SEMSTREAM ARIZONA PROPANE AND ITS
AFFILIATES' BANKRUPTCY
PROCEEDINGS.

DOCKET NO. G-00000C-08-0501

**STAFF'S NOTICE OF FILING
CORRESPONDENCE AND PROCEDURES
FOR MONTHLY REPORTS**

This docket is established to gather information on SemStream Arizona Propane L.L.C. ("SemStream AZ"), its parent affiliates SemStream L.P., and SemStream L.P.'s parent company SemGroup L.P. concerning matters related to the parent affiliates' bankruptcy. The Commission granted SemStream AZ Certificates of Convenience and Necessity ("CCN") to provide distributed propane services in Page, Arizona (Decision No. 69579) in May 2007 and Payson, Arizona (Decision No. 69394) in March 2007. On July 22, 2008, SemStream L.P. and SemGroup L.P. filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware, Case no. 08-11545 and Case no. 08-11547. To date, SemStream AZ has not similarly filed for relief.

Bob Gray, Utilities Division Staff, and undersigned counsel are working with Michael Grant, local counsel for SemStream AZ, Douglas Mann, President of SemStream AZ, and Christopher Lopez, bankruptcy counsel for SemStream LP and SemGroup L.P., with the goal of establishing an information gathering process for keeping the Commission apprised of the status of the continued reliable service to SemStream AZ customers, as well as the parent affiliates' bankruptcy proceedings.

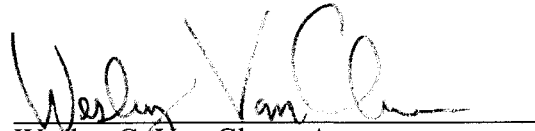
SemStream AZ, SemStream L.P., and SemGroup L.P., through the above mentioned representatives, have agreed to file monthly status reports with the Commission. The report from SemStream L.P. and SemGroup L.P. will address issues regarding any changes in the Chapter 11

1 bankruptcy that may have an impact on SemStream AZ. The report from SemStream AZ will
2 address its continued operations, and any potential or actual problems it is experiencing (or
3 anticipates experiencing) that affect its ability to serve the customers within its CCNs. In addition,
4 both of these reports will keep the Commission apprised of any plans to transfer or dispose of
5 SemStream AZ's CCNs and assets necessary to provide service.

6 It is anticipated that SemStream AZ, SemStream LP, and SemGroup L.P. will docket the first
7 reports in early November 2008 and on a monthly basis thereafter. SemStream AZ, SemStream L.P.,
8 and SemGroup L.P. have also agreed to notify Staff, as soon as possible, to the extent there are
9 interim issues that arise between report filings.

10 In order to initiate this process, Staff is hereby docketing a July 29, 2008 letter from Janice
11 Alward, Chief Counsel for the Arizona Commission, to SemStream AZ, and an August 6, 2008
12 response letter from Douglas Mann, President of SemStream AZ.

13 RESPECTFULLY SUBMITTED this 9th day of October, 2008.

14 

15 Wesley C. Van Cleve, Attorney
16 Janice Alward, Chief Counsel
17 Legal Division
18 Arizona Corporation Commission
19 1200 W. Washington St.
Phoenix, AZ 85007
(602) 542-3402

20 Original and thirteen (13) copies
21 of the foregoing were filed this
22 9th day of October, 2008 with:

23 Docket Control
24 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85008

25 Copy of the foregoing mailed this
26 9th day of October, 2008 to:

27 Michael M. Grant, Attorney
28 Gallagher & Kennedy PA
2575 E. Camelback Rd.
Phoenix, Arizona 85016
Attorney for SemStream Arizona Propane

1 Christopher M. Lopez, Attorney
2 Weil, Gotshal & Manges LLP
3 700 Louisiana, Suite 1600
4 Houston, Texas 77002

5 Roseann Osorio

COMMISSIONERS
MIKE GLEASON - Chairman
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KRISTIN K. MAYES
GARY PIERCE



BRIAN C. McNEIL
Executive Director

ARIZONA CORPORATION COMMISSION

July 29, 2008

Michael M. Grant, Esq.
Gallagher & Kennedy, PA
2575 East Camelback Road
Phoenix, Arizona 85016-9225

Re: SemStream Arizona Propane L.L.C.

Dear Mr. Grant: *Mike*

This letter is a follow up on our July 28, 2008 telephone conversation about last week's bankruptcy filings by SemGroup L.P. and SemStream L.P., parent companies of SemStream Arizona Propane L.L.C. ("SemStream Arizona"). In May 2007, the Arizona Corporation Commission ("Commission") granted SemStream Arizona Certificates of Convenience and Necessity ("CCN") to provide distributed propane services in Page, Arizona (Decision No. 69579) and Payson, Arizona (Decision No. 69394).

It is our understanding that you represent SemStream Arizona and are the appropriate contact for Commission inquiries related to these matters. We are interested in assurances that show that SemStream Arizona's Page and Payson customers will not be negatively impacted by the bankruptcy filings of its parent companies, and that SemStream Arizona's CCNs and assets necessary to provide service will not be transferred or disposed of without an order by the Commission. We ask that your answer to this letter discuss the measures SemStream Arizona has taken (or will take) to ensure that its assets necessary to provide service are protected from potential risks related to the bankruptcies, and that Page and Payson customers will continue to receive safe, reliable propane service under the just and reasonable rates established by the Commission. Thank you for your anticipated prompt reply.

Sincerely,

Janice Alward
Janice Alward, Chief Counsel
Legal Division

JA:rb

cc: Commissioners

Brian McNeil, Executive Director

Ernest Johnson, Director, Utilities Division



RECEIVED

AUG 6 2008

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

August 6, 2008

HAND DELIVERED

Janice Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Your July 29, 2008 Letter to Mr. Grant concerning SemStream Arizona Propane
L.L.C. ("SemStream Arizona")*

Dear Ms. Alward:

I am the President of SemStream Arizona and have discussed with our counsel, Michael Grant of Gallagher and Kennedy, P.A., the issues raised and assurances requested in your July 29 letter concerning the bankruptcy filings by SemGroup L.P. and SemStream L.P. Initially, it's important to stress that SemStream Arizona—the entity which holds the CC&Ns to deliver propane services in Page and Payson, Arizona—has not filed for bankruptcy protection. Further, there is no intention nor need for SemStream Arizona to seek bankruptcy protection.

I can assure the Commission and our customers that SemStream Arizona's business operations are continuing as usual. We are supplying safe, reliable and adequate propane service to our customers in Page, Payson and the surrounding areas. Our service people are conducting normal field operations and preparing plant equipment for the coming winter season. The purchasing, scheduling and delivery of supplies to our plants is ongoing. The companies that are providing gas delivery today are the same firms that have delivered to us for many years.

In that regard, we are nearing completion of the supply purchasing process for the 2008-2009 winter season—a process which we routinely commence in April of each year. For example, in 2007, we had 3.7 million gallons of propane in storage for winter supply and anticipate similar demands for the upcoming winter season. Like last year, 3.6 million gallons has been placed in storage and more propane is available to complete the storage accumulation program by the end of August.

SemStream L.P., the entity which holds the membership interests of SemStream Arizona, and its parent, SemGroup L.P., have filed for Chapter 11 bankruptcy protection in Delaware. We acknowledge that Arizona laws do not allow the transfer, sale, lease, lien or assignment of any of SemStream Arizona's CC&Ns or assets without the prior approval of the Commission.

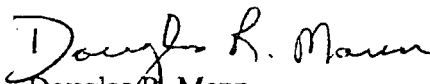
Janice Alward
August 6, 2008
Page 2

Moreover, bankruptcy law respects and generally defers to state law on such issues. The automatic stay of 11 U.S.C. § 362(a) enjoins all nature of creditor action to collect debts or realize on collateral, immediately upon the filing of a bankruptcy petition. However, other subsections of § 362 provide express exceptions to that automatic stay: among them, the automatic stay does not enjoin "under paragraph (1), (2), (3), or (6) of subsection (a) of this section, of the commencement or continuation of an action or proceeding by a governmental unit . . . to enforce such governmental unit's or organization's police and regulatory power, including the enforcement of a judgment other than a money judgment, obtained in an action or proceeding by the governmental unit to enforce such governmental unit's or organization's police or regulatory power."¹

In closing and to avoid any confusion, I do want to note that we are currently \$767,000 under-collected on recovering our already-incurred gas costs for the Page system. We anticipate making a surcharge filing with the Commission later this month for permission to begin to recover that amount. We stress that filing and request do not have anything to do with, nor have they been caused by, the bankruptcy filings.

Should you or anyone else at the Commission have questions, please contact me or Mr. Grant.

Very truly yours,


Douglas R. Mann

DRM/plp
20474-3/1879300

cc (delivered): Commissioner Mike Gleason, Chairman
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kristin K. Mayes
Commissioner Gary Pierce
Bob Gray, Utilities Division

¹ The references to Sections 1, 2, 3 and 6 of 11 U.S.C. § 362(a) is a reference to actions stayed as to other creditors, but which a government entity is free to take in the exercise of its police or regulatory power. Such actions stayed as to other creditors, but still available to governmental entities, include commencement or continuation of judicial or administrative actions; enforcement of any existing judgment (other than a money judgment); actions to exercise control over estate property; and actions to assess or recover a claim that arose pre-bankruptcy.